

Private Equity Real Estate Deal Market Ramps Up in Asia

Annual aggregate deal value has more than quadrupled between 2013 and 2017

Since 2013, the aggregate annual value of private equity real estate deals for Asian properties has increased year-on-year, reaching a record \$27bn in 2017, when 79 deals were completed. Although real estate deal value has increased on a global basis over the same period, the growth in Asia has been 3.3x, while the global market has grown 1.2x. In fact, deal value doubled from 2016 to 2017, driven by the \$8.1bn acquisition of a portfolio of 16 land development sites by Vanke. However, even without this deal, Asia real estate investment value would have increased by 40% in 2017. Activity has been focused on China and Hong Kong, which collectively account for 53% of deal value in the region since 2013. Encouragingly for the region, at least two-thirds of capital paid for deals in each of the past five years has come from funds based in Asia itself, and the average size of deals with domestic buyers is significantly larger than those with international acquirors: \$445mn in 2017, compared to \$230mn for deals involving outside funds.

For more information and analysis, see the full *Real Estate in Asia Report* here:

<http://docs.preqin.com/reports/Preqin-Special-Report-Real-Estate-in-Asia-April-2018.pdf>

Key Asia Private Equity Real Estate Deal Facts:

- Private equity real estate deals for Asia-based properties have seen year-on-year increases in value since 2013. There were 74 deals worth \$6.3bn recorded in that year, compared to **79 deals worth a record \$27bn in 2017**.
- In fact, while global real estate deal value has increased 1.2x since 2013, **Asia real estate deal value has seen an increase of 3.3x** in the same period.
- **Deal activity is dominated by domestic buyers:** they accounted for no less than 63% of annual deal value since 2013, and as much as 90% in 2017.
- **Deals with domestic buyers have also been larger on average** than those with international acquirors: in 2017, domestic deals had an average size of \$445mn, compared to \$230mn for international transactions.
- Within the region, **Greater China has become the most prominent area**, accounting for more than two-thirds of deal value in 2017 and 2018 YTD. This is up from 34% it accounted for in 2013.
- At the same time, **assets in Northeast Asia have receded**. They represented 55% of Asia deal value in 2013, but just 18% in 2017.
- Greater deal making activity has been accompanied by record levels of exits. **2016 and 2017 both saw more than \$14bn in exits made in Asia**, almost double the level seen in any previous year.

Oliver Senchal, Head of Real Estate Products:

“The private equity real estate deal market has traditionally been dominated by activity in the established financial markets of North America and Europe. However, as Asian economies develop rapidly into global powerhouses, increasing amounts of capital is being dedicated to real estate investments there. China and Hong Kong in particular have been a focus, in part driven by a rapidly expanding need for office and commercial spaces to serve a burgeoning middle class and a diversifying economy.

What is particularly heartening is that the majority of this capital has come from domestic funds. Around three-quarters of total capital spent on PERE investments in Asia over the past five years has come from within the region, an indication of an increasingly active fund management and investment industry. This could be set to grow further in years to come: the number of Asia-based real estate investors has almost doubled since 2015, and now exceeds 600. These institutions typically have a strong bias for domestic investments, so if their ranks keep increasing then we could see further allocations being put to work in Asian private real estate opportunities.”

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